



Stop loss order

## What is stop loss order?

The stop loss is the order placed to limit the losses when the stock price moves against your trade.

1. Generally stop loss order are used during day trading/Intraday trading.
2. Stop loss can be used for buy order as well as for short sell order.
3. Stop loss order can be used for stocks, futures and options, currency (forex) trading.

## How to place the Stop loss for sell order?

For example – Suppose if you bought Cairn India Ltd at Rs 250 and if the stock price starts moving down and if you want to limit your losses and plan to take risk of Rs 10 then you can place the stop loss order at Rs 240.

## How to place the stop loss order?

Trigger price – 241

Sell price – 240

If the share price of Cairn India Ltd moves down and crosses Rs 241 then your order will be sent to exchange to sell your shares at Rs 240. So instead of accepting big loss, only loss of Rs 10 per share has been accepted.

## How to place stop loss for Buy order?

Stop loss order for buy order is placed if you have short sell the trade.

## What is the short sell?

Selling stocks at higher level and buying them at lower levels is called short selling method.

This method is only adopted during intraday/day trading.

For example – Suppose if the stock of Tata steel is at Rs 700 and expected to come down then the trader can sell the stocks of Tata steel at Rs 700 and buy at lower levels to take the profit.

But if in case the stock price starts increasing at upper direction then there is need to limit the losses. The trader can place the stop loss order at Rs 730 taking into consideration the risk of Rs 30.

## How to place the stop loss to short sell order?

Trigger price - Rs 731

Buy price - Rs 730

If the stock price starts moving upside and crosses Rs 731 then the order will be sent to exchange to buy the shares at Rs 730. So instead of accepting big loss, only Rs 30 per share will be accepted.